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**NEWS RELEASE**

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**ZEBULON GAS ASSOCIATION TO CEASE OPERATIONS**  
*PSC advising remaining customers to find new heating sources*

FRANKFORT, Ky. (March 9, 2006) – The Kentucky Public Service Commission (PSC) is notifying customers of the Zebulon Gas Association that the Pike County utility will begin disconnecting service on April 1.

The PSC has been unable to find a qualified operator to take over the small company, which has fewer than 40 remaining customers and a debt of about \$300,000.

Jefferson Gas has been operating the Zebulon system under contract since 2001. Jefferson has told the PSC it is no longer willing to continue as the operator.

“The PSC staff has worked very hard for the past 18 months to try to keep Zebulon in operation,” PSC Chairman Mark David Goss said. “Unfortunately, it has been impossible to find anyone willing to assume responsibility for the system.

“We recognize that the shutdown may be a hardship for many customers,” Goss said. “However, our first duty is to ensure the system is operated in a safe manner and, absent a qualified operator, there are no other options.”

Zebulon has a history of problems. In October 2000, Zebulon was \$379,000 in debt to its natural gas supplier, Columbia Gas Transmission Co. With the help of the PSC and Jefferson Gas, Zebulon was able to negotiate an agreement that reduced the debt to \$152,000 and set up a 20-year payment schedule.

When Jefferson took over operations, the Zebulon system was in need of repair. A 30-year, \$165,000 loan from the state Gas System Restoration Fund paid for the replacement of nearly all of the gas mains in the Zebulon system.

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In September 2004, Jefferson notified the PSC that, because of ongoing financial losses, it intended to end its relationship with Zebulon at the end of October 2004, when its operating agreement with Zebulon expired. Jefferson subsequently agreed to continue operations on a month-to-month basis while the PSC searched for both a receiver for the system and for a new operator.

That search ultimately proved unsuccessful. A PSC investigation determined that Zebulon Gas has no active officers or directors and has lost its status as an active corporation.

The PSC held a meeting in Zebulon to discuss the situation with the utility's customers in October 2005.

In November 2005, after a public hearing, the PSC found that Zebulon had abandoned the system and sought to place the utility under the direction of a court-appointed receiver. No entity willing to serve as a receiver has been identified, and the PSC has filed a motion asking Franklin Circuit Court either to appoint a receiver or dismiss the proceeding.

With all options exhausted, Jefferson continued to operate Zebulon on a voluntary basis. It will cease supplying gas at the end of the winter heating season, which ends March 31. The process of disconnecting all customers and safely shutting down the system should take about a week.

Many Zebulon customers already have switched to propane or electric heat. In its letter, the PSC is urging those who are still being served by Zebulon to “immediately arrange for a replacement fuel or heat source.”

Case documents and videos of hearings in the case can be found on the PSC Web site, which is [psc.ky.gov](http://psc.ky.gov). The case number is 2005-00424.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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## **TIME LINE FOLLOWS**

## ZEBULON GAS ASSOCIATION TIMELINE

**1956** - Zebulon Gas incorporated

**1994** – PSC cites Zebulon Gas for failing to register as a utility, file annual reports and pay an annual assessment

**October 2000** – Columbia Gas Transmission notifies PSC that Zebulon has an unpaid balance of about \$379,000

**October 2001** – Jefferson Gas begins operating Zebulon gas under a three-year agreement

**August 2002** – Unpaid balance with Columbia Gas transmission adjusted to \$152,500, with Zebulon given 20 years to pay

**November 2003** – Kentucky Secretary of State dissolves Zebulon as an active corporation

**September 2004** – Jefferson Gas notifies PSC of its intent to terminate operating agreement with Zebulon; subsequently agrees to continue on month-to-month basis while search for new operator is conducted

**June 2005** – Jefferson Gas notifies PSC and Zebulon customers of its intent to discontinue service on August 31, 2005; later agrees to another extension

**October 2005** – Jefferson gas again notifies PSC of its intention to cease as Zebulon's operator; later agrees to remain through winter heating season

**October 2005** – PSC holds public meeting in Zebulon; formal hearing held in Frankfort

**November 2005** – PSC declares Zebulon abandoned; PSC files receivership action in Franklin Circuit Court

**March 7, 2006** – Jefferson notifies PSC that it will begin disconnecting customers on April 1